

Decision **PROPOSED DECISION OF ALJ CLARK** (Mailed 11/26/2013)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2011 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Refund of \$26.810 Million Recorded in Six Memorandum Accounts.

Application 12-04-001
(Filed April 2, 2012)

(See Appendix for a List of Appearances)

**DECISION ON SOUTHERN CALIFORNIA EDISON COMPANY'S
2011 ENERGY RESOURCE RECOVERY ACCOUNT
COMPLIANCE AND REASONABLENESS REVIEW**

1. Summary

By this decision, the Commission approves the settlement between Southern California Edison and the Office of Ratepayer Advocates, regarding SCE's 2011 Energy Resource Recovery Account compliance application, as discussed herein.

2. Energy Resource Recovery Account Compliance Review (ERRA)

The Commission established the ERRA balancing account mechanism in Decision (D.) 02-10-062 to track fuel and purchased power billed revenues against actual recorded costs of these items. In the same decision, the

Commission required regulated electric utilities in California to establish a fuel and purchased power revenue requirement forecast, a trigger mechanism (to address balances exceeding certain benchmarks), and a schedule for semiannual ERRA applications. Subsequent decisions regarding the ERRA balancing account have adopted minimum standards of conduct that regulated energy utilities must follow in performing their procurement responsibilities and have required that the Commission perform a compliance review as opposed to a reasonableness review of these items.¹ Broadly stated, an ERRA compliance review examines whether a utility has complied with all applicable rules, regulations, opinions, and laws in implementing the most recently approved applicable long-term procurement plan, including prudently administering contracts, ensuring least-cost dispatch, and managing other procurement activities.² This Decision resolves Southern California Edison's (Edison or SCE) 2011 ERRA compliance application.

3. Procedural History

Public Utilities (Pub. Util.) Code Section (§) 454.5(d)(2) provides for a procurement plan that would accomplish, among others, the following objective:

Eliminate the need for after-the-fact reasonableness reviews of an electrical corporation's actions in compliance with an approved procurement plan, including resulting electricity procurement contracts, practices, and related expenses. However, the commission may establish a regulatory process to verify and ensure that each contract was administered in accordance with the terms of the contract, and contract disputes that may arise are reasonably resolved.

¹ See D.05-01-054, D.05-04-036, and Public Utilities (Pub. Util.) Code § 454.5(d)(2).

² Pub. Util. Code § 454.5(d)(2).

In D.02-10-062, the Commission implemented Section 454.5(d) by establishing ERRA balancing accounts for SCE and other utilities, requiring them to track fuel and purchased power revenues against actual recorded costs and to establish an annual ERRA compliance review for the previous year and an annual ERRA fuel and purchased power revenue requirement for the following year. The most recent Commission decision on an SCE ERRA compliance application was D.13-11-005, for the 2010 Record Period.

On April 2, 2012, SCE filed Application (A.) 12-04-001 *“for a Commission Finding that its Procurement-Related and Other Operations for the Record Period January 1 Through December 31, 2011 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Recovery of \$26.810 Million Recorded in Three Memorandum Accounts.”* SCE served prepared testimony with its application.

A prehearing conference was held on June 20, 2012.

On July 19, 2012, SCE and Office of Rate Payers Advocate’s (ORA) participated in a workshop at the Commission on SCE’s responses to ORA’s Master Data Request (MDR), a set of 181 questions covering areas including Utility Owned Generation (UOG), Least Cost Dispatch (LCD), contract administration, the ERRA balancing account, and internal auditing. The Administrative Law Judge (ALJ) requested the workshop. SCE provided the ALJ with SCE’s responses to the MDR and informed the ALJ that, as of that point in time, SCE had responded to 15 additional sets of discovery and had met with ORA on several occasions to discuss issues relating to LCD and UOG.

The Assigned Commissioner's Ruling and Scoping Memo (Scoping Memo) was issued on July 31, 2012. The Scoping Memo identified the issues listed below as appropriate for this proceeding:

- 1) Whether a reasonableness review of SCE's 2011 administration and management of its utility retained generation facilities will determine that SCE reasonably and prudently administered and managed these facilities consistent with Standard of Conduct 4 of SCE's procurement plan.
- 2) Whether a reasonableness review of SCE's 2011 administration and management of its Qualifying Facility (QF) and non-QF contracts will determine that SCE reasonably and prudently administered and managed these contracts consistent with Standard of Conduct 4 of SCE's procurement plan, in accordance with each contract's provisions, and otherwise followed Commission guidelines relating to those contracts.
- 3) Whether a compliance review of SCE's 2011 daily energy dispatch decisions and related procurement activities finds that those decisions and activities were consistent with the least cost dispatch principles set forth in Standard of Conduct 4 of SCE's procurement plan.
- 4) Whether an accounting review of the 2011 entries recorded in the following six Memorandum Accounts, finds that those entries are reasonable, appropriate, correctly stated, in compliance with Commission decisions, and should result in the approval of rate recovery resulting in a \$26,810 million refund to SCE ratepayers:
 - a. The Department of Energy Litigation Memorandum Account which reflects a \$110,405,000 over-collection;
 - b. The Hydrogen Energy California Memorandum Account which reflects a \$13,019,000 under-collection;
 - c. The Litigation Costs Tracking Memorandum Account which reflects a \$5,483,000 under-collection;

- d. The Project Development Division Memorandum Account which reflects a \$3,124,000 under-collection;
 - e. The Fire Hazard Prevention Memorandum Account which reflects a \$24,329,000 under-collection; and,
 - f. The Market Redesign and Technology Upgrade Memorandum Account which reflects a \$20,380,000 under-collection.
- 5) Whether an accounting review of the amounts recorded in each of the following fifteen (15) regulatory accounts for 2011 will determine that the entries are appropriately stated, correctly stated, and in compliance with Commission decisions:
- a. The ERRA Balancing Account;
 - b. The Base Revenue Requirement Balancing Account;
 - c. The Nuclear Decommissioning Adjustment Mechanism;
 - d. The Public Purpose Programs Adjustment Mechanism;
 - e. The CARE Balancing Account;
 - f. The Energy Settlements Memorandum Account;
 - g. The Medical Programs Balancing Account;
 - h. The Palo Verde Balancing Account;
 - i. The Pension Costs Balancing Account;
 - j. The Post-Employment Benefits Other Than Pensions Balancing Account;
 - k. The Results Sharing Memorandum Account;
 - l. The New System Generation Balancing Account;
 - m. The Demand Response Program Balancing Account;
 - n. The Smart Connect Balancing Account; and
 - o. The Mohave Balancing Account.

ORA served its testimony on October 5, 2012. SCE served its rebuttal testimony on October 31, 2012. Evidentiary hearings, scheduled for November 14 and 15, 2012 were cancelled by the ALJ on November 8, 2012

because he determined there was no dispute of material fact, and that briefing would suffice with regard to the prospective issues of internal auditing of certain processes, documentation of LCD and future compliance showings related to UOG Outages and associated fuel costs. SCE and ORA notified the ALJ, on December 10, 2012, that they had reached a settlement in principle, and asked the ALJ to postpone the briefing schedule. Pursuant to Rule 12.1, a notice of settlement conference was provided to the service list for this proceeding on December 13, 2012, and SCE and ORA participated in a telephonic settlement conference on December 20, 2012.

On January 17, 2013, SCE filed and served a Motion to Offer Prepared Testimony and Appendices Into Evidence and a Motion to Seal a Portion of the Evidentiary Record. On January 29, 2013, ORA filed a Motion to Move Testimony Into the Record and a Motion to Seal the Evidentiary Record.

Also on January 29, 2013, SCE and ORA filed a *Joint Motion of the Southern California Edison Company and the Office of Ratepayer Advocates' for Approval of Proposed Settlement*, with the Settlement Agreement attached.

4. SCE's Request

Edison states that its application sets forth SCE's procurement-related operations for January 1 through December 31, 2011 (Record Period). SCE requests that the Commission find that during the Record Period:

1. its fuel and purchased power expenses complied with SCE's Commission-approved procurement plan and were recorded accurately;
2. its contract administration, management of UOG, dispatch of generation resources, and related spot market transactions complied with SOC 4 in SCE's procurement plan; and

3. all other SCE activities subject to Commission review in this ERRR Review proceeding complied with applicable Commission decisions and resolutions.³

5. Settlement Agreement

The proposed Settlement Agreement, a copy of which is attached hereto as Attachment A, resolves all scoped and contested issues and is signed by both active parties, SCE and ORA. The key portions of the Settlement Agreement are summarized below.

With regard to the 2011 Record Period at issue in this Application, the Settling Parties have agreed that SCE made appropriate entries in ERRR and the other balancing accounts and complied with the recovery requirements for these accounts. In addition, the Settling Parties have agreed that SCE complied with its Conformed 2006 Long-Term Procurement Plan in the areas of: (1) fuel procurement for UOG and third-party contracts for energy and/or capacity, QF contracts, and other power purchase agreements (collectively PPAs) for which SCE provides fuel procurement; (2) administration of PPAs; and (3) LCD of UOG and PPA resources.

The Settlement also addresses prospective actions recommended by ORA in its Testimony. Specifically, the Settling Parties have agreed that:

- **Internal Auditing:** SCE will provide its LCD-related Sarbanes-Oxley (SOX) control narratives in its workpapers in conjunction with future ERRR review filings. These narratives will include any red-lined revisions describing significant process changes. This enhancement to the ERRR compliance filing will be implemented beginning with SCE's April 1, 2013 ERRR filing.

³ SCE Application at 1-2.

- **LCD Documentation:** Daily resource plans (specifically, the “strategy sheet” included with each day’s plan) will be updated to include a “reason” field for those decisions that deviate from SCE’s normal practice of bidding generation units at marginal costs. The “reason” field will briefly describe why specific California Independent System Operator (CAISO) workaround actions were taken in such circumstances. This enhancement is to be implemented by January 1, 2013.
- **LCD Documentation:** Annual ERRa review testimony will delineate significant LCD-related modeling or process changes (if any) in response to new CAISO market initiatives and/or internal SCE strategy changes. This enhancement is to be implemented beginning with SCE’s April 1, 2013 ERRa filing.
- **LCD Documentation:** SCE will provide its CAISO Customer Inquiry and Dispute Information (CIDI) correspondence regarding suspected erroneous CAISO market results impacting LCD. This enhancement is to be implemented beginning with SCE’s April 1, 2013 ERRa filing.
- **Showing Regarding UOG Outages:** SCE will describe its UOG management and outage mitigation auditing process and controls in its April 1, 2013 ERRa filing.⁴

⁴ This Decision follows SCE’s April 2, 2013 filing of its 2012 ERRa compliance application, A.13-04-001 by several months. We note that the prospective actions identified in the Settlement Agreement, are not included in the scope of A.13-04-001 because this proceeding had not yet concluded. As this Decision approves the Settlement Agreement in full, SCE shall begin full compliance with the prospective actions identified in the Settlement Agreement, or other LCD enhancements as indicated in this Decision, in its April 2014 filing for the 2013 ERRa compliance record period.

Separately, and since the filing of the proposed Settlement Agreement in this proceeding, in D. 13-11-005 the Commission directed that the following actions be taken in order to enhance the LCD component of SCE's ERRA Compliance Review, both for the 2010 Record Period and on an ongoing basis:

1. Within 90 days of the issuance of D.13-11-005, the Commission's Energy Division shall facilitate a workshop where SCE and other interested parties shall develop proposed criteria that should be used to determine what constitutes least-cost dispatch compliance, and the resulting methodology SCE should follow to assemble a showing to meet its burden to prove such compliance;
2. Within 30 days following the workshop, SCE shall prepare a report summarizing the outcome, and file and serve the report in the 2010 ERRA review docket⁵ for the Commission's consideration; and
3. SCE shall quantify the degree to which it achieved, or did not achieve, least-cost dispatch during the 2014 Record Period and include that showing in its Energy Resource Recovery Account compliance application in 2015.⁶

We note that the Commission also ordered Pacific Gas and Electric Company (PG&E) to conduct a workshop addressing the same substantive question: the criteria, within today's market structure, for a utility to make a showing of compliance with least-cost dispatch.⁷ These workshops are likely to lead to the development of a methodology for SCE and other utilities to prove their LCD compliance on the basis of forecasting and true-up activities employed

⁵ A.11-04-001.

⁶ D.13-11-005, Ordering Paragraphs 1-3.

⁷ *Ibid*, Ordering Paragraph 3.

today, which may comport with or advance beyond SCE's agreed-to LCD enhancements set out in the Settlement Agreement in this proceeding.

On that basis and to the extent practicable, the specific LCD-related enhancements agreed to by SCE in the proposed Settlement Agreement and ordered by this Decision shall be considered and incorporated into the workshop addressing least-cost dispatch compliance to be undertaken by SCE and Energy Division pursuant to D. 13-11-005. Similarly, the LCD-related enhancements ordered here shall be considered and incorporated to the extent practicable in the resulting methodology established for SCE to assemble a showing to meet its burden to prove such compliance in its 2014 Record Period ERRRA compliance filing. However, in the event of conflicting criteria and/or methodologies, the LCD related enhancements ordered by this Decision shall be superseded by the methodology adopted by the Commission pursuant to the undertaking required by D. 13-11-005.

6. Standard of Review for Settlement Agreement

We review this settlement pursuant to Rule 12.1(d) of the Commission's Rules of Practice and Procedure (Rule), which provides that, prior to approval, the Commission must find a settlement "reasonable in light of the whole record, consistent with the law, and in the public interest." We find the Settlement Agreement meets the Rule 12.1(d) criteria, and discuss each of the three criteria below.

6.1. Settlement Agreement is Reasonable in Light of the Whole Record

The Settlement Agreement is signed by the only two active parties to this proceeding. SCE and ORA reached a Settlement Agreement after discovery, careful analysis of the issues, and serving of testimony by SCE and ORA. These

two parties represent two distinct and affected interests, namely, SCE, which is responsible for procuring power to serve all of its customers, and ORA, California's independent ratepayer advocacy agency. The record also shows that the Settlement Agreement was reached after substantial give-and-take between the parties, which occurred during settlement conferences. This give-and-take is demonstrated by the positions initially taken by the parties, and the final positions agreed upon in the Settlement Agreement. The Settlement Agreement thus represents a reasonable compromise between the principles and legal theories of the adverse parties.

The Settlement Agreement is also consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record. This policy supports many worthwhile goals, including reducing the expense of litigation, conserving scarce Commission resources, and allowing parties to reduce the risk that litigation will produce unacceptable results. Here, the Settlement Agreement resolves all disputes between ORA and SCE, which avoids further litigation in this matter. Thus, we conclude that the Settlement Agreement is reasonable.

6.2. Settlement Agreement is Consistent with Law

The Parties believe that the terms of the Settlement Agreement comply with all applicable statutes, including the prospective actions that SCE will take in future ERRRA compliance review proceedings. Applicable statutes include, *e.g.*, Pub. Util. Code § 451, which requires that utility rates must be just and reasonable, and Pub. Util. Code § 454, which prevents a change in public utility rates unless the Commission finds such an increase justified. We agree that the required showings under these statutes and commission decisions have been

made. Further, nothing in the Settlement Agreement contravenes statute or prior Commission decisions.

With respect to the prospective actions to be undertaken by SCE in future ERRA proceedings, we note that the Commission has authorized similar prospective actions to those in the Settlement Agreement in earlier ERRA proceedings. For example, in D.09-12-002 and D.11-07-039, the Commission ordered PG&E to confer with and receive comments from ORA regarding an internal audit in a future ERRA compliance proceeding. In D.10-02-018, the Commission ordered SCE to perform a complete audit of its ERRA every four years. In D.13-11-005, the Commission ordered SCE to quantify the degree to which it achieved, or did not achieve, least-cost dispatch during the 2014 Record Period and include that showing in its ERRA compliance application in 2015.

6.3. Settlement Agreement is in the Public Interest

The Settlement Agreement is in the public interest and in the interest of SCE's customers. The Settlement Agreement resolves all scoped issues in the current application.

Approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties. We find that the evidentiary record of A.12-04-001 contains sufficient information for us to determine the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter. For all these reasons, we approve the Settlement Agreement as proposed.

7. Other Procedural Matters**7.1. Change in Determination of Need for Hearings**

In Resolution ALJ 176-3292, dated April 19, 2012, the Commission preliminarily categorized A. 12-04-001 as ratesetting, and preliminarily determined that hearings were necessary. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary. Given that no hearings were held in the current proceeding, we change our preliminary and Scoping Memo determination regarding hearings, to no hearings necessary.

7.2. Admittance of Testimony and Exhibits into Record

Since evidentiary hearings were not held in A.12-04-001, there was no opportunity to enter prepared testimony and exhibits into the record. In order to fairly assess the record, it is necessary to include all testimony and exhibits served by SCE and ORA.

In its motion of January 17, 2013, SCE requested, pursuant to Rule 13.8, that the Commission receive the public and confidential versions of its Exhibits SCE-1 and -2 into the record of A.12-04-001. Therefore, we identify the public and confidential versions of SCE's supporting testimony to its Application as Exhibits SCE-1, -2, -3 and -4;⁸ its rebuttal testimony as Exhibit SCE-5;⁹ and the

⁸ Exhibit SCE-1 – "Energy Resource Recovery Account (ERRA) Review of Operations, 2011 Chapters I-VIII" and attached appendices; Exhibit SCE-2 – "Energy Resource Recovery Account (ERRA) Review of Operations, 2011 Chapters IX-XVII; Exhibit SCE-3 – Energy Resource Recovery Account (ERRA) Review of Operations, 2011, SCE-1 and SCE-2 Appendices; and Exhibit SCE-4 - Energy Resource Recovery Account (ERRA) Review of Operations, 2011, Witness Qualifications and Declarations re: Confidentiality.

⁹ Exhibit SCE-5 – Energy Resource Recovery Account (ERRA) Review of Operations, 2011, SCE Rebuttal Testimony.

declarations attached to the January 17, 2013 motion as Exhibit SCE-6.¹⁰ SCE's testimony is relevant to our assessment of the proposals put forth, and we admit into evidence the public and confidential versions of SCE's Exhibits SCE-1 through SCE-6. SCE's testimony is also relevant to our assessment of the Settlement Agreement, and we admit into evidence the public and confidential SCE's Exhibits SCE-1 through SCE-6.

In its motion of January 29, 2013, ORA requested, pursuant to Rule 13.7(e), that the Commission receive the public and confidential versions of its Exhibit ORA-1 into the record of A.12-04-001. Rule 13.8 (d) addresses requests for testimony to be offered into evidence by written motion. The Commission identifies the public and confidential versions of ORA's Exhibit ORA-1. Given that the necessity of ORA's testimony is relevant to our assessment of the Settlement Agreement, we admit into evidence the public and confidential versions of ORA's Exhibit ORA-1.

7.3. Motions for Confidential Treatment

7.3.1. SCE

Pursuant to D.06-06-066, General Order (GO) 66-C, and Rule 11.5, SCE requests leave to seal portions of the evidentiary record and to treat as confidential its Exhibits SCE-1C, -2C, and -3C. SCE states that these documents contain information that is market-sensitive, are listed in D.06-06-066 as data that should be treated confidentially.

Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as

¹⁰ The Declarations of Witness Qualifications of Vickram F. Nazareth and Douglas M. DeDea as required by Rule 13.8(d).

electric procurement data (that may be market-sensitive) submitted to the Commission.

A similar request was granted in SCE's last ERRR recovery decision, D.13-11-005. We agree that the information contained in these exhibits is market-sensitive electric procurement-related information. Therefore, pursuant to D.06-06-066 and Rule 11.5, we grant SCE's request to treat as confidential and seal those portions of the evidentiary record consisting of SCE's Exhibits SCE-1C, -2C, and -3C as detailed in the ordering paragraphs of this decision. The confidential version of each of these exhibits will be denoted by a "C" after the number of the exhibit. As the Application without the associated testimony does not contain confidential information, we do not grant it confidential treatment and do not seal it.

7.3.2. ORA

On October 5, 2012, ORA served public and confidential versions of its Testimony and Recommendations to the Commission after reviewing SCE's ERRR Compliance application. ORA's Testimony and Recommendations contain information identified by SCE as confidential pursuant to D.06-06-066 and GO 66-C, and that is therefore not subject to public disclosure.

On January 29, 2013, ORA filed a Motion to Seal the Evidentiary Record seeking an order to seal the parts of the evidentiary record containing information identified by SCE as confidential pursuant to D.6-06-066 and GO 66-C and therefore not subject to public disclosure.

Rule 11.5 addresses sealing all or part of an evidentiary record; and D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission. Since ORA's request addresses information that we have deemed

confidential in Section 4.3.1 above and in compliance with applicable rules, general orders, and decisions, we grant ORA's request to seal the confidential version of its Exhibit ORA-1C.

7.4. Compliance with the Authority Granted Herein

In order to implement the authority granted herein, SCE must submit a Tier 1 Advice Letter which demonstrates compliance with this order within 30 days of the date of this decision. The tariff sheets included in the Advice Letter shall be effective on or after the date submitted subject to Energy Division determining they are in compliance with this decision.

8. Reduction of Comment Period

Pursuant to Rule 14.6(b) of the Commission's Rules of Practice and Procedure, all parties stipulated to reduce the 30-day public review and comment period required by Section 311 of the Public Utilities Code to 14 days. Pursuant to the parties' stipulation, comments were filed on December 12, 2013, and no reply comments were filed. In its opening comments, SCE suggested that the Commission clarify that the final decision approves SCE's application in full, including uncontested issues, as modified by the settlement agreement. We agree and adopt appropriate Conclusions of Law and Ordering Paragraphs.

9. Assignment of Proceeding

Michel Peter Florio is the assigned Commissioner and Richard W. Clark is the assigned ALJ in this proceeding.

Findings of Fact

1. On January 29, 2013, SCE and ORA filed a *Joint Motion of the Southern California Edison Company and the Office of Ratepayer Advocates' for Approval of Proposed Settlement* in this proceeding, with the Settlement Agreement attached.
2. The Settlement Agreement resolves all scoped and contested issues.

3. The Commission has authorized similar prospective actions to those in the Settlement Agreement in previous ERRA proceedings. In D.09-12-002 and D.11-07-039, the Commission ordered PG&E to confer with and receive comments from ORA regarding an internal audit in a future ERRA compliance proceeding. In D.10-02-018, the Commission ordered SCE to perform a complete audit of its ERRA every four years. In D.13-11-005, the Commission ordered SCE to quantify the degree to which it achieved, or did not achieve, LCD during the 2014 Record Period and include that showing in its ERRA compliance application in 2015.

4. The evidentiary record of A.12-04-001, including the Settlement Agreement, contains sufficient information for us to determine the reasonableness of the Settlement Agreement and for us to discharge any future regulatory obligations with respect to this matter.

5. Rule 12.1(d) provides that, prior to approval, the Commission must find a settlement “reasonable in light of the whole record, consistent with the law, and in the public interest.”

6. SCE and ORA reached a Settlement Agreement after discovery, careful analysis of the issues, serving of testimony by SCE and ORA, and substantial give-and-take between the parties which occurred during settlement conferences.

7. The settling parties are the only parties in this proceeding.

8. In Resolution ALJ 176-3292, dated April 19, 2012, the Commission preliminarily categorized A.12-04-001 as ratesetting, and preliminarily determined that hearings were necessary.

9. In the Scoping Memo, the assigned Commissioner scheduled evidentiary hearings, though eventually it was determined that hearings were not necessary.

10. Rule 11.5 addresses sealing all or part of an evidentiary record.

11. D.06-06-066 addresses our practices regarding confidential information, such as electric procurement data (that may be market sensitive) submitted to the Commission.

12. Rule 11.4 addresses a request to seal documents that have been filed.

Conclusions of Law

1. The Joint Motion and Settlement Agreement proposed by SCE and ORA should be approved.

2. Approval of the Settlement Agreement is reasonable in light of the record, is consistent with law, is in the public interest, and is in the interest of SCE's customers.

3. The Settlement Agreement is consistent with Commission decisions on settlements, which express the strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record.

4. The terms of the Settlement Agreement comply with all applicable statutes, and do not contravene statute or prior Commission decisions.

5. Approval of the Settlement Agreement avoids the cost of further litigation, and reduces the use of valuable resources of the Commission and the parties.

6. All rulings made by the assigned Commissioner and/or the assigned ALJ should be affirmed.

7. In order to implement the authority granted herein, SCE should submit a Tier 1 Advice Letter within 30 days of the date of this decision.

8. The prepared testimony of ORA and SCE should be identified and received into evidence.

9. SCE's request to seal the confidential versions of its testimony should be granted, as detailed herein.

10. ORA's request to seal the confidential version of its testimony should be granted, as detailed herein.

11. With respect to individual uncontested issues in this proceeding, we find that SCE has made a prima facie just and reasonable showing.

O R D E R

IT IS ORDERED that:

1. *The Settlement Agreement Between the Southern California Edison Company and the Office of Ratepayer Advocates* attached to the *Joint Motion of the Southern California Edison Company and the Office of Ratepayer Advocates' for Approval of Proposed Settlement* is adopted.

2. With respect to individual uncontested issues in this proceeding, SCE's proposal's as detailed in its application and testimony are hereby approved.

3. The determination in Resolution ALJ-176-3292 and the Assigned Commissioner's Scoping Memo and Ruling that hearings were necessary, is revised to hearings are not required.

4. All rulings made by the assigned Commissioner and/or the assigned Administrative Law Judge are affirmed.

5. Southern California Edison Company shall submit a Tier 1 Advice Letter within 30 days of the date of this decision to implement the terms of the *Settlement Agreement Between Southern California Edison Company and the Office of Ratepayer Advocates*. The tariffs included in the Advice Letter shall become effective on or after the date submitted subject to Energy Division determining the tariffs are in compliance with this decision.

6. The public and confidential versions of the prepared testimony of Southern California Edison Company (SCE), specifically Exhibits SCE-1 through -6, and SCE-1C, -2C, and -3C, are identified and received into evidence.

7. The public and confidential versions of the prepared testimony of the Office of Ratepayer Advocates (ORA), specifically Exhibits ORA-1 and ORA-1C, are identified and received into evidence.

8. Southern California Edison Company's (SCE) request to seal the confidential versions of its testimony, in particular, Exhibits SCE-1C, -2C, and -3C is granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information may not be viewed by any person other than Commission Staff, the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by SCE, or as ordered by a court of competent jurisdiction. If SCE believes that it is necessary for this information to remain under seal for longer than three years, SCE may file a new motion at least 30 days before the expiration of this limited protective order.

9. The Office of Ratepayer Advocate's (ORA) requests to seal the confidential version of its protest and testimony (Exhibit ORA-1) are granted. The information will remain sealed and confidential for a period of three years after the date of this order. During this three-year period, this information may not be viewed by any person other than Commission Staff, the assigned Commissioner, the assigned Administrative Law Judge (ALJ), the Assistant Chief ALJ, or the Chief ALJ, except as agreed to in writing by ORA, or as ordered by a court of competent jurisdiction. If ORA believes that it is necessary for this information

to remain under seal for longer than three years, ORA may file a new motion at least 30 days before the expiration of this limited protective order.

10. Application 12-04-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.